Supreme Court, U.S.
FILED
AUG 19 1985
JOSEPH F. SPANIOL, JR.
CLERK

(3)

No. 85-20

In the Supreme Court of the United States

October Term, 1985

MORGAN ADHESIVES COMPANY,
Petitioner,

vs.

CHEMTROL ADHESIVES, INC.,
Respondent.

ON CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF OF PETITIONER

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August 16, 1985

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

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15 pp

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REPLY OF PETITIONER TO RESPONDENT'S BRIEF IN OPPOSITION

PREFACE

This case involves the question of whether a Federal District Court properly granted summary judgment in favor of Chemtrol Adhesives, Inc. ("Chemtrol") on the grounds that Morgan Adhesives Co. ("Morgan") could no longer prosecute its infringement action because the Patent and Trademark Office ("PTO") had rendered an opinion in an advisory reissue proceeding that the claims of the Morgan patent were unpatentable in light of additional prior art not available to the examiner at the time of the original application, and the PTO's opinion had been affirmed by the Court of Customs and Patent Appeals ("CCPA").

Respondent's allegations that various statements in Morgan's Brief are "patently false" (Chemtrol Brief, pp. 15, 21, n.5), "willful misrepresentation" (*Id.* at p. 27), or advocate a position which "cannot possibly be taken in good faith" (*Id.* at p. 23, n.6) are not supported by the Record.

1. Morgan Did Not Willfully Misrepresent to the Court That the Decision Below Is in Conflict With Opinions From This Court.

As is obvious from Morgan's entire Petition, and particularly the discussion at pages 9-11, the decision below is in conflict with this Court's decisions in *McCormick Machine Co. v. Aultman,* 169 U.S. 606 (1897) and *Allen v. Culp,* 166 U.S. 501 (1897), that:

> Although the PTO has the power to grant a patent, only the Courts of the United States have the power to invalidate a patent.

Morgan Petition at p. 9. In this case, the District Court, as affirmed by the CAFC, held that Morgan was precluded from arguing that its patent is valid because of an advisory opinion rendered by the Patent Office and reviewed by the CCPA that the claims were not patentable in light of additional prior art not available to the examiner at the time of the original application. This holding, in our case, is in direct conflict with *McCormick, supra,* and *Allen, supra,* in that it permits the PTO to invalidate a patent which it had issued. Nor does review of the PTO action by the CCPA require a different result, as more fully set forth in the discussion and cases at pages 11 through 13 and 17 through 20 of Morgan's Petition. The PTO invalidated Morgan's patent in this case through the back door, contrary to longstanding precedent of this Court.

2. Morgan Did Not Have an Opportunity to Argue the Commercial Success of Its Patent as a Defense Against the Charge of Invalidity in the Proceedings Before the PTO and CCPA.

No evidence, testimony, or argument was presented to the PTO on commercial success. Rather, the proceedings were dedicated to arguing the only issue before the PTO—whether the PTO record should reflect that additional prior art was considered at the time of the original application. As pointed out in Morgan's Petition at pp. 20-21, commercial success could not have been argued and would not have been relevant in a no-defect proceeding before the PTO because the only purpose of that proceeding was to determine whether the patent would have issued *at the time of the original application* had the examiner been aware of the prior art. Commercial success after issuance was irrelevant in that proceeding. In contrast, in the case at bar, when prior art is alleged to invalidate a patent years after its issuance, secondary considerations, including commercial success:

> . . . may often establish that an invention appearing to have been obvious in light of the prior art was not.

Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 1538-39 (C.A.F.C. 1983).

3. The Court, Not Morgan, Converted the No-Defect Proceeding to a Regular Reissue.

Conversion of a no-defect proceeding under 37 C.F.R. §1.175(a)(4) into a regular reissue can occur only upon compliance with the other subsections of that regulation as well as 35 U.S.C. §251. The provisions of MPEP §1414.02 are not controlling:

> Appellant's reissue application was filed pursuant only to 37 C.F.R. 1.175(a)(4) and has not been converted to a regular reissue application under 35 U.S.C. §251 complying with the other provisions of §1.175.

In Re Bose, 687 F.2d 432 (C.C.P.A. 1982). If, indeed, courts were bound by MPEP §1414.02, the Court in *In Re Bose, supra*, would have reached an opposite result. The patent-holder in that case amended the patent claims during no-defect reissue proceedings by striking certain claims. Nevertheless, the Court held, the PTO's rejection of certain claims was purely advisory. Morgan did not comply with the other provisions of §1.175 and did not convert the advisory reissue into a regular reissue.

4. The CCPA Rendered an Advisory Opinion "in the Teeth of" Precedent to the Contrary.

Chemtrol claims there could have been no precedent for the CCPA to disregard in 1981 because *In Re Dien*, 680 F.2d 151 (C.C.P.A. 1982), was not decided until 1982. Precedent that a Court cannot render an advisory opinion appears in Article III, Section 2 of the United States Constitution, as well as numerous decisions of this Court. *See, e.g., Muskrat v. United States*, 219 U.S. 346 (1910); *Glidden Co. v. Zdanok*, 370 U.S. 530, 587, 602 (1962). The proceeding in this case was advisory when initiated in 1977 and advisory when the CCPA rendered its opinion in 1981. *See, e.g., Bally Manufacturing Corp. v. Diamond*, 629 F.2d 955, 957-58 (4th Cir. 1980), noting, in 1980, that reissue proceedings under 37 C.F.R §175(a)(4), were "purely advisory." Even the CCPA admitted its "awakening" to the fact that it was rendering advisory opinions in these cases was "belated." *In Re Dien, supra.* The CCPA had no more jurisdiction to render an advisory opinion in 1981 than it did in 1982.

5. Morgan Did Not Surrender Its Patent by Invoking the No-Defect Reissue Proceeding.

Finally, Morgan wishes to clear up any confusion caused by Chemtrol's repeated assertions that Morgan "actually surrendered" its patent in the no-defect reissue proceeding. Chemtrol Brief, pp. 3, 21, 22. In support of that allegation, Chemtrol miscites to "A. 76" (Chemtrol Brief, p. 3). It is assumed that Chemtrol intended to cite to A. 71, where Petitioner Burton Morgan:

> . . . prays that he may be allowed to surrender the Letters Patent . . .

as part of his reissue application. As explained by Morgan in its Petition at p. 10, a patentholder invoking a reissue proceeding of *any* type—advisory or regular—must offer to surrender the patent to the PTO. No "actual" surrender takes place unless a reissue is granted. If the reissue is not granted, the patent is retained and not surrendered. *Allen v. Culp*, 166 U.S. 501, 505 (1897); 37 C.F.R. §1.178. *See also, Dresser Industries, Inc. v. Ford Motor Co.*, 530 F. Supp. 303, 309 (N.D. Tex. 1981), stating that "This has been the law for eight decades." In fact, when the offer to surrender is made as part of a no-defect reissue proceeding, the offer itself is no more than a semantic technicality. Since the PTO provides only an advisory opinion, the patent would never be surrendered to the PTO unless the patentholder were to make additional oaths and take additional steps necessary to convert the no-defect proceeding into a regular reissue proceeding. *In Re Dien, supra*, 680 F.2d at 152-153.

ARGUMENT

Morgan responds to new matter raised by Chemtrol as follows.

A. The Trial Court Can Determine the Validity of the Morgan Patent Without Contradicting the CCPA or the PTO.

The Trial Court in this case was not faced with a dilemma of choosing between precluding Morgan from arguing the validity of its patent or "contradicting" the PTO and the CCPA for two reasons. First, the role of the no-defect proceeding is to provide an advisory opinion helpful to the Trial Court—not render a decision binding on the Trial Court. As noted in *Bally Manufacturing Corp. v. Diamond, supra,* 629 F.2d at 958:

> The examiner's expert opinion may carry substantial weight in an infringement action involving the same patent and prior art.

See also, Dresser Industries, Inc. v. Ford Motor Co., supra, 530 F. Supp. 303, where the Court noted that granting a stay of infringement proceedings and ordering a patentholder to submit to reissue proceedings, regular or advisory, was equivalent to appointing an expert for technical assistance to the Court (530 F. Supp. at 313, n.14) and would not deprive the patentholder of due process or a jury trial since the PTO opinion would be purely advisory. *Id.* at 309-12.

The Trial Court would not be contradicting the CCPA since the CCPA decision was advisory and would not bind the Trial Court. Morgan Petition at pp. 17-20.

Second, the Trial Court would not be contradicting the decision of the PTO or the CCPA because the narrow issue in the no-defect proceeding was whether the patent record, at the time of the original application, should reflect that additional prior art had been considered. In a trial on the validity of the patent, a Court must consider not only primary factors, such as obviousness in the light of prior art, but secondary factors as well. These secondary factors, such as commercial success, may arise *after* the issuance of the patent. Such evidence indicates that in hindsight, considering the success of the patent and imitation of its method by competitors, the patent was not obvious in light of the prior art available at the time of the original application. Morgan Petition, pp. 20-22 and cases cited therein; *National Business Systems v. AM International, Inc.*, 743 F.2d 1227 (7th Cir. 1984), *cert. denied*, 53 U.S.L.W. 3808 (1985). If allowed by this Court, Morgan will present evidence to the Trial Court not only that its patent has enjoyed a huge commercial success since its issuance, but that its novelty is such that other competitors have gradually adopted its method, until, at the present time, every major competitor copies this patent.

B. Trial Court Decisions Cited by Chemtrol Indicating That the PTO May Invalidate a Patent Are Not Authoritative and Are Not Persuasive.

In its Brief before this Court, as it has in briefs before the lower courts, Chemtrol relies heavily upon *California Computer Products, Inc. v. Simplicity Pattern Co.*, 194 U.S.P.Q. 367 (C.D. Cal. 1977) and *W.R. Altenpohl, Inc. v. Gainesville Machine Co.*, 185 U.S.P.Q. 500 (N.D. Ga. 1974) for its contention that Morgan is precluded by the decision of the PTO, as reviewed by the CCPA, from arguing the

validity of its patent in the Trial Court. The Trial Court also erroneously relied upon these cases.

As is apparent from the segment quoted in Chemtrol's Brief, p. 12, the trial court in *Computer Products* ignored the law of this Court that a reissue proceeding cannot invalidate a patent (*McCormick, supra; Allen, supra*), by stating that after a rejection of a reissue is affirmed by the CCPA the patentholder "has no patent." The PTO can neither invalidate nor nullify a patent in a reissue proceeding. Appellate review of a PTO decision in a reissue proceeding, as provided for by statute, can neither invalidate nor nullify a patent when the agency below had no such power.

The analysis of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,* 402 U.S. 313 (1971), cannot be lifted from the context of that case, where the validity of the patent in question had been litigated in a prior infringement suit, and applied directly to the situation in our case where the prior proceeding was merely an advisory reissue before the PTO. The purpose of the PTO proceeding was to go back in time and provide an advisory opinion of what an examiner would have done had additional prior art been considered at the time of the original application. The purpose of the court proceeding is to determine whether, at today's date, a patentholder may enforce the rights granted by the patent against an infringer. The issues are not identical because the contexts are radically different.

Similarly, the *Blonder-Tongue* concept of a full and fair hearing does not apply where, in the prior proceeding, a patentholder is seeking to have the record of the original issue reflect additional prior art *and the body hearing the request has no power to invalidate the patent.*

The differences in the purposes of the two proceedings, the expectations of the parties, and the powers of the hearing officer or trial judge in this case are so great as to preclude a finding that certain issues were identical in the two or that one hearing could be determinative of both proceedings. The Trial Court's attempt to force this case into a *Blonder-Tongue* analysis is fatally flawed because it produces a result in direct conflict with this Court's doctrine that the PTO cannot invalidate a patent once issued. The error is not cured by the fact that it follows the flawed reasoning of two other trial courts.

Finally, even if the cases cited by Chemtrol were authoritative or were persuasive as to regular, defect reissues, it is obvious that they would not be dispositive of this case, where the patentholder sought and received an advisory opinion and review of that opinion by the CCPA was void and of no effect.

CONCLUSION

Morgan respectfully requests this Court to reverse summarily the cases below and remand this case for trial on the merits of the patent, as provided in Supreme Court Rule 23.1:

> After consideration of the papers distributed pursuant to Rule 22, the Court will enter an appropriate order. The order may be a summary disposition on the merits.

See, e.g., Flower v. United States, 407 U.S. 197 (1972), granting certiorari and summarily reversing and remanding without full argument.

Summary disposition is appropriate in this case because by granting preclusive effect to the PTO's decision of in-

validity, the Trial Court effectively ruled that the Patent Office has the power to invalidate a patent once issued, in direct contradiction to prior decisions of this Court, including *McCormick, supra,* and *Allen, supra,* thereby depriving Morgan of its valuable property rights without due process of law.

Respectfully submitted,

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